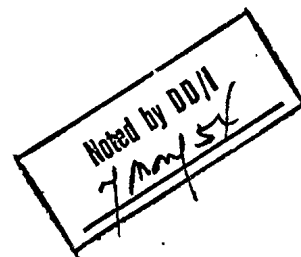


EXECUTIVE OFFICE OF THE PRESIDENT  
NATIONAL SECURITY COUNCIL  
WASHINGTON

ER 5-5361  
EXECUTIVE REGISTRY  
FILE NSC

May 5, 1954



MEMORANDUM FOR THE NSC PLANNING BOARD

SUBJECT: Preparation and Use of Financial Appendices in Connection with Policy Recommendations by the National Security Council

- REFERENCES:
- A. Memo for NSC, "Preparation and Use of Financial Data in Connection with National Security Council Procedures," July 24, 1953
  - B. Memo for Planning Board, April 30, 1954
  - C. "Implementation of NSC Papers," Section XIII, Volume III of Current Policies of the Government of the United States of America Relating to the National Security; Memo for NSC, "NSC Progress Reports," dated September 9, 1953

The enclosed draft statement on the subject, incorporating the revisions tentatively agreed on by the Planning Board on May 3, is transmitted for consideration by the NSC Planning Board at an early meeting.

Also enclosed for consideration (page 10) is a proposal, prepared by the NSC Staff on the basis of the April 29 Planning Board discussion, for amending the "Progress Reports" section of the approved procedure for implementation of NSC papers.

JAMES S. LAY, Jr.  
Executive Secretary

PREPARATION AND USE OF FINANCIAL APPENDICES IN CONNECTION  
WITH POLICY RECOMMENDATIONS BY THE  
NATIONAL SECURITY COUNCIL

Introduction

1. The President has directed that recommendations by the National Security Council include information as to the costs of the programs necessary to carry out such policy. Accordingly, each policy statement presented by the Council, with certain exceptions, will contain a Financial Appendix prepared to conform with this instruction. The exceptions to this instruction include (1) policy proposals having no or only minor cost implications; (2) policy proposals relating to programs of a particularly sensitive nature for which special arrangements have been made.

2. The Financial Appendix should reflect the new policy which the statement proposes. Any significant change in an existing program shown in the Financial Appendix must be based upon the policy proposal and fully explained in the Financial Appendix. The Financial Appendix should not in itself presume to dispose of policy issues.

Information to be Included in a Financial Appendix

3. The Financial Appendix should present:

a. Cost estimates to carry out the policy based on the best available information at the time of preparation, i.e. estimated expenditures during the first four years or the life of each program, whichever is appropriate for a significant estimate. In some cases, it will not be possible to estimate cost with precision.

In many cases, estimates of cost may necessarily be very rough and where appropriate may be expressed as a range.

b. Other pertinent financial data, if any, bearing on magnitude of the program, such as prior expenditures, existing capital investment, available appropriations, etc.

c. A statement of the degree to which the cost estimates in a above are consistent with current programming under approved policies.

d. A statement of the degree to which any additional costs estimated in c above can be offset by the reduction or elimination of any other current programs without adversely affecting approved policies.

e. Any assumptions necessary to explain the basis upon which the foregoing estimates and statements are made.

4. Every Financial Appendix submitted to the Council will bear the following standard caption:

Cost estimates in the Financial Appendix indicate order of magnitude.  
Approval of the Policy statement does not indicate approval of cost estimates in the Financial Appendix.  
Appropriations and expenditures to finance the policy will be subject to determination in the regular budgetary process.

5. In general, all Financial Appendices will follow the form of the attached Financial Appendix. In any case where the attached form of Financial Appendix is not suited to the substance of a policy statement, the NSC Staff will be responsible for outlining a form appropriate to the occasion.

Procedures for Preparation of Financial Appendices

6. Departments and Agencies

a. When a proposed policy covers programs which are the operational responsibility of one agency or a coordinating committee (such as IIC or ICIS), the initial draft of a policy statement prepared by such agency or committee for circulation to the Planning Board will be accompanied by a Financial Appendix.

b. In other cases, the initial draft of a policy statement prepared by the drafting agency for circulation to the Planning Board will not be accompanied by a Financial Appendix.

c. Immediately following the circulation to the Planning Board of the initial draft of a policy statement in accordance with par. 6-b, each interested department or agency will cost that section of the statement affecting its activities, in accordance with the above instructions and the attached form of Financial Appendix, and will transmit the same to the NSC Staff.

7. NSC Staff

a. The NSC Staff will consolidate the financial data received under par. 6-c from each interested department and agency and will circulate the consolidated Financial Appendix to the Planning Board.

b. The NSC Staff will be responsible for coordinating the views of all the departments and agencies involved, including the Bureau of the Budget, on the initial and succeeding drafts of the consolidated Financial Appendix, with a view to having available an agreed Financial Appendix for submission **with** the policy statement to the Council.

8. Bureau of the Budget

a. The Bureau of the Budget will advise and assist the NSC Staff in functioning under par. 7 above.

b. If the cost estimate of the Bureau of the Budget differs from that of any department or agency, the Bureau will discuss the differences with the NSC Staff and the department or agency in an **attempt** to arrive at an agreement.

c. If the policy statement under consideration involves expenditures of an agency not represented on the Planning Board, the Bureau of the Budget will identify such agency and assist the NSC Staff in securing the appropriate data.

9. Planning Board

a. The Planning Board will consider all financial information concerning a policy statement before making its recommendations to the Council.

b. In the case of a conflict of views as to cost estimates, the Planning Board may either defer consideration of the proposed policy statement pending further examination of the cost estimates or proceed on the basis of the available information. In any case of conflict of views relative to cost estimates, the Planning Board will submit to the Council a summary thereof.

c. In case a department or agency indicates that the cost to carry out any aspect of the proposed policy statement will be additional to current programming, the Planning Board will take this factor into consideration in making its policy recommendations to the Council.

10. Council Consideration

The Council will consider all financial information transmitted to it by the Planning Board in presenting its recommendations to the President.

NSC DRAFT

FINANCIAL APPENDIX

DATE \_\_\_\_\_

Cost estimates in the Financial Appendix indicate order of magnitude. Approval of the policy statement does not indicate approval of cost estimates in the Financial Appendix. Appropriations and expenditures to finance the policy will be subject to determination in the regular budgetary process.

#### SPECIAL NOTES

1. All estimates are subject to the assumptions, footnotes, and detailed comments shown below in this Financial Appendix.
2. In order to cover the lead time required in some programs, funds must be made available well in advance of expenditures.
3. Amounts programmed as funds available are subject to future Executive decisions to transfer funds from one program to another, and to Congressional decisions on current appropriation requests.

#### ASSUMPTIONS

ESTIMATED COST OF THE PROPOSED POLICIESTable I. Expenditures by Programs

FY 195\_ - FY 195\_

(Millions of Dollars)

	<u>Actual</u> <u>Expenditures</u>			<u>Estimated Expenditures</u>				
	<u>195_</u>	<u>195_</u>		<u>195_</u>	<u>195_</u>	<u>195_</u>	<u>195_</u>	<u>TOTAL</u>
Military Assistance.....\$	_____	_____	.	_____	_____	_____	_____	_____
Economic Assistance.....	_____	_____	.	_____	_____	_____	_____	_____
Technical Assistance....	_____	_____	.	_____	_____	_____	_____	_____
Information Services....	_____	_____	.	_____	_____	_____	_____	_____
Educational Exchange....	_____	_____	.	_____	_____	_____	_____	_____
Other Programs.....	_____	_____	.	_____	_____	_____	_____	_____
	_____	_____	.	_____	_____	_____	_____	_____
			.					
			.					
			.					
			.					
TOTALS.....	_____	_____	.	_____	_____	_____	_____	_____
			.					
			.					

Note: 1. All programs or activities necessary to implement the proposed policy should be included. Those shown above are illustrative only.

2. If the policy proposed envisions alternatives, a comparable table of the estimated cost for each alternative should be prepared where possible.



Table II. Availability of Funds in Relation to Expenditures

FY 195\_ - FY 195\_

(Millions of Dollars)

	<u>Total</u>	<u>Military Assistance</u>	<u>Economic Assistance</u>	<u>Technical Assistance</u>	<u>Information Exchange Activities</u>	<u>Exchange Activities</u>
UNEXPENDED CARRY-OVER INTO FY 195_						
Plus: FY 195_ Funds						
Equals: Total available for expenditures						
Less: Estimated expenditures FY 195_						
Equals: UNEXPENDED CARRYOVER INTO FY 195_						
Plus: FY 195_ Funds						
Equals: Total available for expenditures						
Less: Estimated expenditures FY 195_						
Equals: UNEXPENDED CARRYOVER INTO FY 195_						

NOTE: All programs necessary to implement the proposed policy should be included. Those shown above are illustrative only.

Programs Listed in Table I

Summary Explanation

1. MILITARY ASSISTANCE:

Force goals; U. S. equipment and logistic support; rates of delivery; CSP; U. S. expenditures in the area not included in Table I.

2. ECONOMIC ASSISTANCE:

Character of programs; other programs not shown in Table I (loans; surplus commodity programs; etc.)

3. TECHNICAL ASSISTANCE:

Character of U. S. programs; United Nations or other related activity; etc.

4. INFORMATION SERVICES:

Character and effectiveness of programs.

5. EDUCATIONAL EXCHANGE:

Number of persons involved in U. S. and abroad, by categories (i.e. students, teachers, civic leaders, etc.); authorizing legislation.

6. ANY OTHER PROGRAMS:

NOTE: There should be included in the summary-explanation under each program:

- a. A statement of the degree to which estimates of costs are consistent with current programming under existing approved policies.
- b. A statement of the degree to which any additional costs can be offset by the reduction or elimination of any other current programs without adversely affecting approved policies.

Proposed Amendment to "Implementation of NSC Papers" (See Section XIII, Volume III, of Current Policies of the Government of the United States of America relating to the National Security, or Memo for NSC, September 9, 1953, "NSC Progress Reports.")

Add a new paragraph at end to read as follows:

The determination of the appropriate interval (3 to 6 months) at which progress reports should be transmitted will normally be made by the coordinating agency designated by the President. However, if at any time it appears to the coordinating agency that the policy cannot be implemented for fiscal or other reasons, or that the policy requires review and possible revision, the coordinating agency is responsible for transmitting promptly to the Council a special progress report calling attention to these developments.